



Preliminary Audit Report of the Audit Division on the Committee on Arrangements for the 2012 Republican National Convention (June 22, 2010 - October 31, 2013)

Why the Audit Was Done

Federal law requires the Commission to audit the national committee of a party who receives payments for presidential nominating conventions.¹ The audit examines the receipt and use of Federal funds and whether the committee otherwise complied with the limitations, prohibitions and disclosure requirements of the election law.

Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

About the Committee (p. 2)

The Committee on Arrangements for the 2012 Republican National Convention (COA) was responsible for the day-to-day arrangements and operations of the Republican Presidential nomination convention. COA is headquartered in Washington, DC. For more information, see chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

• Receipts	
o Federal Funds	\$ 18,248,300
o Loans Received	1,000,000
o Offsets to Convention Expenditures	998,957
Total Receipts	\$ 20,247,257
• Disbursements	
o Convention Expenditures	\$ 17,789,385
o Loan Repayments	1,000,000
Total Disbursements	\$ 18,789,385

Findings and Recommendations (p. 3)

- Net Outstanding Convention Expenses (Finding 1)
- Failure to Itemize Debts (Finding 2)

¹ 26 U.S.C. §9008(g).

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Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Inventory of Committee Records	1
Part II. Overview of Committee	
Committee Organization	2
Overview of Financial Activity	2
Part III. Summaries	
Findings and Recommendations	3
Part IV. Findings and Recommendations	
Finding 1. Net Outstanding Convention Expenses	4
Finding 2. Failure to Itemize Debts	6

Part I

Background

Authority for Audit

This report is based on an audit of the Committee on Arrangements for the 2012 Republican National Convention (COA), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9008(g) of Title 26 of the United States Code. That section directs the Commission to conduct an examination and audit of the payments for presidential nominating conventions no later than December 31 of the calendar year in which the presidential nominating convention involved is held.

Scope of Audit

This audit examined:

1. the disclosure of receipts and loans;
2. the disclosure of disbursements, debts and obligations;
3. the recordkeeping process and completeness of records;
4. the consistency between reported figures and bank records;
5. the accuracy of the Statement of Net Outstanding Convention Expenses;
6. the committee's compliance with requirements concerning expenditures for convention expenses; and
7. other committee operations necessary to the review.

Inventory of Committee Records

The Audit staff routinely conducts an inventory of committee records before it begins the audit fieldwork. COA records were materially complete and the fieldwork began immediately.

Part II

Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	June 21, 2010
• Audit Coverage	June 22, 2010 - October 31, 2013
Headquarters	Washington, DC
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Three Accounts
Treasurer	
• Treasurer When Audit Was Conducted	Anthony Parker
• Treasurer During Period Covered by Audit	Louis Pope 6/21/2010 - 04/12/2011 Anthony Parker 4/13/11 - Present
Management Information	
• Attended Commission Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ June 22, 2010	\$ 0
Receipts	
○ Federal Funds	18,248,300
○ Loans Received	1,000,000
○ Offsets to Convention Expenditures	998,957
Total Receipts	\$ 20,247,257
Disbursements	
○ Convention Expenditures	17,789,385
○ Loan Repayments	1,000,000
Total Disbursements	\$ 18,789,385
Cash-on-hand @ December 31, 2012	\$ 1,457,872

Part III

Summaries

Findings and Recommendations

Finding 1. Net Outstanding Convention Expenses

COA received \$18,248,300 in federal funds to finance the Republican National Convention. The Statement of Net Outstanding Convention Expenses (NOCE), as calculated by the Audit staff, shows an amount of unspent funds of \$1,020,769. This amount is repayable to the United States Treasury. On June 28, 2013, COA made an interim repayment of \$350,000. The Audit staff recommends that COA provide documentation demonstrating that either no repayment of unspent funds is due or a lesser amount is due. Absent such a demonstration, the Audit staff will recommend that the Commission determine that the remaining \$670,769 (\$1,020,769 - \$350,000) is repayable to the United States Treasury. (For more detail, see p. 4.)

Finding 2. Failure to Itemize Debts

Audit fieldwork found that COA failed to report debts and obligations relating to four vendors totaling \$272,085 on Schedule D (Debts and Obligations). The Audit staff recommends that, absent documentation demonstrating that these expenditures did not require reporting on Schedule D, COA amend its disclosure reports to properly disclose these debts. (For more detail, see p. 6.)

Part IV

Findings and Recommendations

Finding 1. Net Outstanding Convention Expenses

Summary

COA received \$18,248,300 in federal funds to finance the Republican National Convention. The Statement of Net Outstanding Convention Expenses (NOCE), as calculated by the Audit staff, shows an amount of unspent funds of \$1,020,769. This amount is repayable to the United States Treasury. On June 28, 2013, COA made an interim repayment of \$350,000. The Audit staff recommends that COA provide documentation demonstrating that either no repayment of unspent funds is due or a lesser amount is due. Absent such a demonstration, the Audit staff will recommend that the Commission determine that the remaining \$670,769 (\$1,020,769 - \$350,000) is repayable to the United States Treasury.

Legal Standard

A. Entitlement to Payments From the Fund. The national committee of a major party shall be entitled to payments with respect to any presidential nominating convention, in amounts that in the aggregate shall not exceed \$4,000,000, as adjusted by the Consumer Price Index. The major party entitlement for the 2012 nominating convention was \$18,248,300. 26 U.S.C. §9008(b)(1) & (5).

B. Repayments. Any portion of the entitlement that remains unspent after all convention expenses have been paid shall be returned to the Secretary of the Treasury. The national committee or convention committee shall make an interim repayment of unspent funds based on the financial position of the committee as of the end of the ninth month following the last day of the convention, allowing for a reasonable amount as determined by the Commission to be withheld for unanticipated contingencies. The interim repayment shall be made no later than 30 calendar days after the end of the ninth month following the last day of the convention. 11 CFR §9008.12(b)(5).

C. Repayment Determination Procedures. The Commission will follow the same repayment determination procedures, and the committee has the same rights and obligations as are provided for repayment determinations involving publicly funded candidates under 11 CFR 9007.2(c) through (h). 11 CFR §9008.12(c).

D. Net Outstanding Campaign Expenses (NOCE). A convention committee shall file, no later than 60 days after the last day of the convention, a statement of that committee's "net outstanding convention expenses." This statement must contain, among other things:

- The total of all committee assets including cash on hand, amounts owed to the committee and capital assets listed at their fair market value;
- The total of all outstanding obligations for qualified campaign expenses; and
- An estimate of necessary winding-down costs. 11 CFR §9008.10(g).

Facts and Analysis

A. Facts

For the 2012 national conventions, each major political party was entitled to receive federal funds of \$18,248,300 to finance its national presidential nominating convention. The 2012 Republican National Convention ended on August 30, 2012. COA filed a Statement of Net Outstanding Convention Expenses as of October 14, 2012. The Audit staff reviewed financial activity through October 31, 2013, and estimated the winding down cost in preparing the figures shown below.

Statement of Net Outstanding Convention Expenses
As of October 14, 2012
Prepared Through October 31, 2013

Assets

Cash in Bank	\$2,556,924	
Capital Assets	15,372	
Accounts Receivable	<u>1,047,743</u>	
Total Assets		\$3,620,039

Liabilities

Accounts Payable for Qualified Convention Expenses at 10/14/12	\$1,840,027	
Winding Down Costs		
Actual (10/15/12 – 10/31/13)	\$643,943	
Estimated (11/1/13 – 8/31/14)	<u>115,300 [a]</u>	<u>759,243</u>
Total Liabilities		<u>\$2,599,270</u>
Net Outstanding Convention Expenses (Surplus) as of October 14, 2012		\$1,020,769
Less: Interim Repayment made June 28, 2013		<u>(\$350,000)</u>
Amount Repayable to the United States Treasury		<u>\$670,769</u>

[a] Estimated winding down costs will be compared to actual winding down cost and adjusted accordingly.

The NOCE as calculated by the Audit staff shows unspent funds of \$1,020,769. At the exit conference, COA representatives were provided a copy of the NOCE as calculated by the Audit staff. The Audit staff explained that the amounts will have subsequent adjustments relating to future financial activity. A COA representative stated that the amounts are close to their numbers and that COA would be filing an updated NOCE. Pursuant to 11 CFR 9008.12(b)(5), COA made an interim repayment of \$350,000 to the United States Treasury on June 28, 2013.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff recommends that, within 60 calendar days of service of this report, COA provide documentation demonstrating that either: (a) no repayment of the remaining unspent funds is due; or (b) a lesser amount is due. Absent such a demonstration, the Audit staff will recommend that the Commission determine that the remaining portion of unspent funds of \$670,769 is repayable to the United States Treasury.

Finding 2. Failure to Itemize Debts

Summary

Audit fieldwork found that COA failed to report debts and obligations relating to four vendors totaling \$272,085 on Schedule D (Debts and Obligations). The Audit staff recommends that, absent documentation demonstrating that these expenditures did not require reporting on Schedule D, COA amend its disclosure reports to properly disclose these debts.

Legal Standard

A. Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C. §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

B. Separate Schedules. A political committee must file separate schedules for debts owed by and to the committee with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).

C. Itemizing Debts and Obligations.

- Once it has been outstanding 60 days from the date incurred, a debt of \$500 or less must be reported on the next regularly scheduled report.
- A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred, except reoccurring administrative expenses (such as rent) shall not be reported as a debt before the payment due date. 11 CFR §104.11(b).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed disbursement records and disclosure reports for proper reporting of debts and obligations using both sampling and a 100 percent review. These reviews identified debts owed to four vendors totaling \$272,085 that COA failed to disclose. COA should have reported the debts on Schedule D of its disclosure reports that covered the dates on which the debts were incurred. Specifically, COA incurred a debt totaling \$80,500 on May 22, 2012, owed to Campaign Solutions/The Donatelli Group and should have reported the debt on Schedule D of its July 2012 Quarterly report. In addition, COA should have reported on Schedule D of its October 2012 Quarterly report a debt totaling \$13,762 owed to Mass Relevance that was incurred between August 27 and September 12, 2012, a debt totaling \$162,811 owed to Smart Source that was incurred between July 16 and September 17, 2012, and a debt totaling \$15,012 owed to Vente Networks that was incurred on September 10, 2012. The number of days outstanding for the debts ranged from 43 days to 93 days. It should be noted that COA did not report any debts during the audit period.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the reporting of debts and obligations with COA representatives and provided schedules detailing the transactions requiring disclosure. COA representatives had no comment on this matter. In response to the exit conference, COA wrote that it disagreed with the basis for a finding that it failed to itemize debts. COA noted that it promptly paid all invoices following a diligent internal review process in which the invoices were reviewed for accuracy, legitimacy, approved by the designated committee personnel and extinguished during the subsequent reporting period. Nevertheless, COA agreed to file amended Schedules D, to disclose the four items identified by the Audit staff.

The Audit staff recommends that, within 60 calendar days of service of this report, absent documentation demonstrating that these expenditures did not require reporting on Schedule D, COA amend its disclosure reports to properly disclose these debts.